

IRS News Release

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Special Sales Tax Deduction for Car Purchases Available through End of 2009

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WASHINGTON — With 2010 models arriving in dealer showrooms, the Internal Revenue Service reminds taxpayers that purchasing a new car, light truck, motor home or motorcycle could qualify them for a special deduction for the state and local sales and excise taxes on their 2009 tax returns.

Purchases made before Jan. 1, 2010, will qualify for this deduction under the American Recovery & Reinvestment Act of 2009 (ARRA).

The deduction is limited to the sales and excise taxes and similar fees paid on up to \$49,500 of the purchase price of a new vehicle. The deduction is reduced for joint filers with modified adjusted gross incomes (MAGI) between \$250,000 and \$260,000 and other taxpayers with MAGI between \$125,000 and \$135,000. Taxpayers with higher incomes do not qualify.

Taxpayers who make qualifying new vehicle purchases this year can estimate the deduction with the help of Worksheet 10 in IRS [Publication 919](#), How Do I Adjust My Withholding? Lines 10a to 10k of the worksheet show how to take into account purchases above the \$49,500 limit, as well as the reduced deductions for taxpayers at higher income levels.

The special deduction is available regardless of whether taxpayers itemize deductions on their returns. Taxpayers who do not itemize will add this additional amount to the standard deduction on their 2009 tax return.

For those that have questions about the deduction for sales tax and other fees, these [questions and answers](#) might help. A [video](#) on the IRS Youtube.com channel and audio podcasts in [English](#) and [Spanish](#) are also available to help taxpayers take full advantage of the deduction.